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EvDynamics

Ev Dynamics (Holdings) Limited

科軒動力（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 476)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2021

Reference is made to the annual report of Ev Dynamics (Holdings) Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) for the year ended 31 March 2021 (the “**2021 Annual Report**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the 2021 Annual Report.

In addition to the information disclosed in the Chairman Statement and note 19 to the consolidated financial statements in the 2021 Annual Report, the Company would like to provide a comprehensive summary in relation to the mining assets of the Group.

Valuation methodology adopted for the valuation of mining assets

The Group has engaged the service of a qualified independent valuer to assess the fair value of the mining assets of the Group. As the commencement of the mining project is pending for the issuance of the land use right certificate for the construction of a processing factory, the independent valuer adopted the Multi Period Excess Earnings Method to estimate the fair value of the mining assets. The Multi Period Excess Earnings Method was consistently adopted in the valuation of the mining assets for its impairment assessment since the acquisition of the mining assets by the Group.

Major assumptions adopted in the valuation

There were no significant changes in the assumptions and basis of value of the inputs used under the Multi Period Excess Earnings Method from those previously adopted for the valuation of the Mining Assets for the years ended 31 March 2020 and 2021.

The summary of value of inputs under the Multi Period Excess Earnings Method for the valuation of the mining assets for the years ended 31 March 2020 and 2021 as disclosed in note 19 to the consolidated financial statements in the 2021 Annual Report is extracted as follows:

#	Key assumptions	FY2021	FY2020
1.	Thenardite price per ton	RMB903	RMB926
2.	Required rate of return for working capital	3.68%	3.68%
3.	Required rate of return for fixed assets	13.41%	12.27%
4.	Required rate of return for assembled workforce	21.96%	20.98%
5.	Post-tax discount rate	21.96%	20.98%
6.	Income growth rate within the projected period	2.68%	2.84%
7.	Cost growth rate within the projected period	1.40%	1.25%

The summary of the basis of value of the inputs used under the Multi Period Excess Earnings Method, which was consistently applied by the valuer in previous years, is set out as follows:

#	Key assumptions	Basis of assumption
1.	Thenardite price per ton	Relevant data obtained from third party's quotation pertaining to the mining assets in Guangxi
2.	Required rate of return for working capital	(i) Prime rate as quoted by the People's Bank of China; and (ii) Statutory corporate income tax rate of the PRC
3.	Required rate of return for fixed assets	(i) PRC's long-term borrowing rate; (ii) Statutory corporate income tax rate of the PRC; and (iii) the cost of equity
4.	Required rate of return for assembled workforce	Being the weighted average cost of capital with a premium to reflect the higher risk nature of the mining assets as intangible assets
5.	Post-tax discount rate	Being the required rate of return for assembled workforce

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|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6. Income growth rate within the projected period | Expected inflation rate based on the geometric average of the China Producer Price Index - Non-Metals Minerals Mining and Dressing year-over-year from 2010 to 2021 |
| 7. Cost growth rate within the projected period | The geometric average of the China Producer Price Index year-over-year from 2001 to 2021 |

Reasons for changes in value of inputs

As illustrated above, the changes in value of inputs adopted under the Multi Period Excess Earning Method for the valuation of the Mining Assets for the years ended 31 March 2020 and 2021 is set out as follows:

1. Thenardite price per ton
The thenardite price per ton adopted in the Valuation decreased from RMB926 per ton for the year ended 31 March 2020 to RMB903 per ton for the year ended 31 March 2021 as a result of the decrease in the quotations from third parties in the industry.
2. Required rate of return for working capital
There is no change in the required rate of return for working capital which maintained at 3.68% for the years ended 31 March 2020 and 2021.
3. Required rate of return for fixed assets
The required rate of return for fixed assets increased from 12.27% for the year ended 31 March 2020 to 13.41% for the year ended 31 March 2021 mainly due to the increase in the PRC's long-term borrowing rate.
- 4/5. Required rate of return for assembled workforce/ Post-tax discount rate
The required rate of return for assembled workforce and the post-tax discount rate increased from 20.98% for the year ended 31 March 2020 to 21.96% for the year ended 31 March 2021 mainly due to the increase in cost of equity as a result of the increase in PRC's long-term borrowing rate.

6. Income growth rate within the projected period

The income growth rate within the projected period decreased as the geometric average of the “China Producer Price Index - Non-Metals Minerals Mining and Dressing” decreased from 2.84% for the year ended 31 March 2020 to 2.68% for the year ended 31 March 2021.

7. Cost growth rate within the projected period

The cost growth rate within the projected period increased as the geometric average of the “China Producer Price Index” increased from 1.25% for the year ended 31 March 2020 to 1.40% for the year ended 31 March 2021.

Reason for and circumstances leading to the impairment of mining assets

The movement of the mining assets of the Group for the year ended 31 March 2021 as disclosed in note 19 to the consolidated financial statements in the 2021 Annual Report is extracted as follows:

	HK\$'000
As at 1 April 2020	2,342,532
Impairment loss	(689,997)
Exchange realignment	<u>173,694</u>
As at 31 March 2021	<u><u>1,826,229</u></u>

The fair value of the Mining Assets decreased from approximately HK\$2,342.5 million as at 1 April 2020 to approximately HK\$1,826.2 million as at 31 March 2021, which was mainly attributable to the following reasons:

- (i) the estimated excess income from the mining assets under the Multi Period Excess Earnings Method decreased as a result of the changes in value input in the valuation including (1) the decrease in thenardite market price; (2) decrease in income growth rate; and (3) increase in cost growth rate;
- (ii) the present value of the estimated excess income decreased as a result of the increase in discount rate; and

(iii) the decrease of the fair value of the mining assets was net off against the appreciation of Renminbi against Hong Kong Dollar. The exchange rate of Renminbi with Hong Kong Dollar adopted by the Group for accounting purpose increased from 1.09 for the year ended 31 March 2020 to 1.19 for the year ended 31 March 2021.

For and on behalf of the Board
Ev Dynamics (Holdings) Limited
Cheung Ngan
Chairman

Hong Kong, 13 December 2021

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Cheung Ngan, Mr. Miguel Valldecabres Polop and Ms. Chan Hoi Ying, and three independent non-executive Directors, namely Mr. Chan Francis Ping Kuen, Dato' Tan Yee Boon and Mr. Lee Kwok Leung.